

MARKETING OF FINANCIAL SERVICES



Abstract of

A Thesis Submitted to

The Maharaja Sayajirao University of Baroda

for

The Award of the Degree of

Doctor of Philosophy

in Business Administration

By

Umesh R. Dangarwala

Under the guidance of

Prof. B. S. Patel

Department of Commerce including Business Administration

Faculty of Commerce

The Maharaja Sayajirao University of Baroda,

Vadodara

September 1999

CONTENTS

CHAPTER – I INTRODUCTION	01
CHAPTER – II LITERATURE REVIEW AND A RATIONALE OF THE STUDY	06
CHAPTER – III FINANCIAL SERVICES MARKETING	08
CHAPTER - IV METHODOLOGY	11
CHAPTER - V ANALYSIS AND INTERPRETATION OF DATA: COMPARISON AND DIFFERENTIATION OF GROUPS	18
CHAPTER VI ANALYSIS AND INTERPRETATION OF DATA: ASSOCIATION BETWEEN GROWTH RATES AND MARKETING PRACTICES	23
CHAPTER VII SUMMARY, IMPORTANT FINDINGS AND THEIR IMPLICATIONS	26

CHAPTER – I

INTRODUCTION

A recent FICCI paper avers that the service sector can contribute more than 50 per cent to the national GDP by AD 2000 provided it grows at a rate of 5.3 per cent annually. If this works out, the projected growth in this sector is going to surpass the growth in the agricultural and industrial sectors.

Finance plays an important role in shaping the economy of a country. The present study is concerned with the marketing practices of the financial service organizations. A review of the existing literature on the subject reveals that the marketing problem of the financial service organizations has remained a fairly unmapped area. The purpose of this study is to investigate to what extent the financial service organizations adopt the marketing concept in their marketing decisions, for the marketing concept holds, that, the key to achieving organizational goals consists in determining the needs and wants of target markets and delivering the desired satisfactions more effectively and efficiently than competitors.

In the present chapter, to begin with, a discussion on “Marketing and Economic Development” is undertaken. This is followed by “Developments in Marketing” and “Service Marketing”. In the latter half of the chapter, the Nature and Scope , Limitations and Organization of the thesis are given.

1.1 MARKETING & ECONOMIC DEVELOPMENT

Marketing has a key role to play in the economic development of a country through its potential contribution to the process of economic development. Economic growth implies rise in gross National product through generation of additional income in various sectors of an economy such as agriculture, mining, industry and trade.

In this section of the chapter, following points are elaborated:

- 1.1.1 Role of Marketing in Economic Development
- 1.1.2 The Concept of A National Market in Developing Economies
- 1.1.3 Role of Marketing Functions in Economic Development

- 1.1.4 Coordinated Marketing Systems
- 1.1.5 Marketing and Economic Development – its Relevance to The Service Organizations in India

1.2 DEVELOPMENTS IN MARKETING

Initially, producers and manufacturers were concerned mainly with logistical issues – transporting and selling goods to widespread markets, often located far away from the point of production. The focus here was on production, with consumption and consumers being seen as the end result of a production and distribution chain. For as long as demand outstripped supply, which was generally the case as western countries started to go through periods of dramatic growth in economic activity and technological change, producers could all exist profitably simply by producing more efficiently and cutting costs. Little attention was given to the role of the consumer in exchange processes.

In the early twentieth century the realization that marketing was, in itself, an important part of the business process led to the founding of the American Marketing Association and the development of the earliest aspects of marketing theory and practice. It was much later, however, that the need for a marketing orientation was recognized, with a clear focus on the needs of the consumer.

In this section of the chapter, following points are highlighted:

- 1.2.1 Marketing Theory Developments
- 1.2.2 The Marketing Environment
- 1.2.3 Marketing Organizations
- 1.2.4 Marketing Today

1.3 SERVICES MARKETING

Marketing – driven organizations, whether in the manufacturing or service sectors, must have an intimate knowledge of the market in order to identify unfulfilled market needs and provide a marketing offering which will meet those needs, thereby satisfying both the customer, and the organization's objectives.

Market research, marketing planning, and the development of a set of marketing mix tools are equally important in services marketing and the marketing of physical goods.

In this section of the chapter following aspects pertaining to service marketing are covered in detail.

- 1.3.1 The Concept of Service
- 1.3.2 Reasons for Growth of The Service Sector
- 1.3.3 Marketing Mix
- 1.3.4 Special Characteristics of Services
- 1.3.5 The Nature of The Service Product
- 1.3.6 Areas Responsible For Problems and Key Issues in Services Marketing Management
- 1.3.7 Classification of Services

1.4 NATURE & SCOPE OF THE STUDY

A survey was undertaken to delve into the marketing practices of the financial service organizations and for the purpose of the study, the financial service organizations situated in the State of Gujarat were chosen. The study is a combination of exploratory, descriptive and casual research design. The data was collected from primary sources with the help of a structured questionnaire as well as from secondary sources available within and outside the financial service organizations.

In this study an attempt is made to ascertain the extent of association between input and output, the variable chosen for input are marketing practices and output is growth rate. Ideally, better marketing practices should lead to higher growth rate (which is the goal of financial service organizations). As the scale of operations of various financial service organizations differs, growth parameters i.e. advance growth rate, investments growth rate, deposits growth rate, commissions/fees growth rate have been used as output variable.

1.5 LIMITATIONS OF THE STUDY

The study was subject to certain limitations:

- (i) Data on expenditure aspects could not be collected fully. As the financial service organizations were unwilling to divulge information pertaining to expenditure aspects.
- (ii) The marketing practices of the financial service organizations concerning 'channel decisions' could not be analyzed in this study, as very few organizations (only 10 from the sample of 52 units) indicated that they use 'channel' for generating business. It was felt that the results of these 10 respondents when analyzed might not conform to the realities of the situation.
- (iii) The study examines the relationship between growth rate and marketing practices. However, there may be several other factors than marketing practices, which influence growth rate. (Other factors may be said to include role of Govt., market situation, rate of inflation etc.)
- (iv) Due to constraints of time and finance, the study could not be broad based is confirmed to financial organizations situated in State of Gujarat.

1.6 ORGANIZATION OF THE STUDY – CHAPTERIZATION

Chapter I is an introductory chapter, which brings out the importance of marketing in economic development. The developments of marketing theory, the marketing environment, the development of the marketing concept, marketing mix and characteristics service products are also highlighted. The nature and scope of the study, as also the limitations of the study are brought out.

Chapter II highlights findings of a few studies. A case for a study on the marketing practices of the financial organizations is made out.

Chapter III is wholly devoted to the theoretical frame work of financial services, viz. special characteristics, competitive environment, financial services marketing mix, types of financial services etc. It also covers the role

of regulatory authority in marketing of financial services. It also covers the rationale for a study on the marketing practices of financial service organizations.

Chapter IV describes the plan and procedure of the study in detail. This includes sample selection, development of the questionnaire, research objectives (hypothesis) and the statistical techniques used in analyzing data.

Chapter V is the first of the two chapters where the data collected was analyzed. Here, the level of performance of the different groups with respect to each of the marketing variables is discussed. The different groups are also compared and differentiated in terms of their marketing practices.

Chapter VI also deals with analysis and interpretation of data. The results accrued from the application of the step – wise regression technique are discussed the criterion variable being growth rate and predictor variable, the different marketing practices.

Chapter VII presents a summary of the study and highlights its major findings. The implications of the study are also discussed alongside. Besides, there are appendices giving the questionnaire, the scoring key and some other related particulars.

CHAPTER – II

LITERATURE REVIEW AND A RATIONALE OF THE STUDY

2.1 INTRODUCTION

This chapter in brief provides the major findings of relevant important studies. The findings of these studies do suggest some definite basis on which further studies in the field can be carried out. They are of considerable significance in the context of present study in as much as they provide excellent guidelines as well as important view points that are to be considered in the present investigation.

The present investigation is mainly concerned with marketing of financial services. Hence in this chapter an attempt is made to make a broad survey of the studies in the field of marketing of services.

2.2 A RATIONALE FOR THE STUDY

A fresh wave of economic liberalization and globalization has been sweeping most of the world since the 1980s, and India from 1990 onwards. Consequently the financial services scenario also has been undergoing a transformation, especially with regard to competition, technological advancement and innovation. Due to the competition from within and without, and the relentless improvement in the field of technology as applied to financial services, financial service organizations have been compelled to constantly innovate new products, new delivery techniques and convincingly attract customers. In addition, they have to make concerted efforts to retain them. To do this, they require sharp marketing skills.

Marketing is a well-researched subject. A large number of authoritative treatises are already available. Even the characteristic features of marketing in Indian context have been extensively analyzed.

A recent FICCI paper avers that the service sector can contribute more than 50 per cent to the national GDP by AD 2000 provided it grows at a rate of 5.3 per cent annually. If this works out, the projected growth in this sector is

going to surpass the growth in the agricultural and industrial sectors. It is also noted that dissatisfaction with services rendered (be it banking, insurance, railways, health, tourism, postal services or whatever) is high. This may even be termed a period of service crisis. How to exploit growing opportunities in the services sector and heighten satisfaction with service delivery is an extremely typical issue for in-depth analysis. Financial services, as a crucial segment of the services sector, are today face-to-face with the issue. In a scenario like this, the discipline of financial services marketing is going to acquire critical importance in the foreseeable future, if it has not already.

Though product and services marketing are similar in many ways, there are some very crucial points of difference between them. For example, the intangible nature of service products and the strong presence of the human factor in services marketing. The need to view financial service marketing from the unique standpoint of services marketing is, therefore, obvious and strong.

Indian financial service is fundamentally different from financial services elsewhere. Features like low degree of technological sophistication, a highly unionized workforce and a cumbersome legal system mark it.

The inference is clear. Indian financial service marketing must develop its own body of concepts and principles revolving around distinctive characteristics of services marketing and tempered with the imperatives of the Indian situation. It must wriggle out of the stranglehold of product marketing influence. The long-term objective would be the development of a comprehensive theory of financial services marketing in the Indian Context, This study is an effort towards this objective. It endeavors to highlight the area of financial service marketing on the basis of peculiar features attendant to financial service marketing in India rather than a classical product marketing situation.

CHAPTER – III

FINANCIAL SERVICES MARKETING

3.1 INTRODUCTION

Marketing of financial services begins with the mightily problem in that the service designer to promote more or less a uniformed product, which unlike most packaged goods have intrinsic differences.

This chapter covers the theoretical aspects pertaining to financial services. Following aspects are covered in detail:

3.2 FINANCIAL SERVICES IN THE INDIAN CONTEXT

3.3 SPECIAL CHARACTERISTICS OF FINANCIAL SERVICES

3.4 THE MARKETING AND COMPETITIVE ENVIRONMENT

3.5 THE FINANCIAL SERVICES MARKETING MIX

3.6 FINANCIAL PRODUCTS (SERVICES) - THE OPTIONS AVAILABLE

In order to appreciate better the range of financial products available to us in the country we shall briefly discuss about their “ providers” and that how financial services have come to blossom.

Here following financial product/service discussed at a length:

Some Typical Financial Products (Fund Based Services)

- 1 Savings & Recurring Account
- 2 Current Account
- 3 Fixed Deposits
- 4 Retail Loan Products
- 5 Commercial Loans
- 6 Leasing & Hire Purchase
- 7 Credit Cards
- 8 Venture Capital
- 9 Mutual Funds

Other Financial Products (Fee Based Services)

- 1 Underwriting
- 2 Broking
- 3 Custodial Services
- 4 Credit rating
- 5 Merchant banking
- 6 Loan syndication
- 7 Share registration services
- 8 Debenture Trusteeship
- 9 Insurance

Developing Financial Products:

- 1 Factoring
- 2 Forfaiting
- 3 Depository services
- 4 Commercial Paper
- 5 Treasury Bills
- 6 Derivatives

3.7 TECHNOLOGY POWER FOR FINANCIAL PRODUCTS

3.8 FINANCIAL SERVICES REGULATION AND LEGISLATION: IMPACT ON FINANCIAL SERVICES

All functions and responsibilities of financial service organizations (both Indian and foreign) are governed by the regulations stipulated by the Reserve Bank of India (RBI). For banks the two critical elements of Cash Reserve Ratio and Statutory Liquidity Ratio are fixed by RBI.

From time to time strictures are issued for matter such as revision of interest rates; change of policy ; foreign exchange regulations.

The Financial Services Regulations by SEBI & RBI are largely brought about to regulate the financial service organizations and protect the consumers. Financial Organizations including insurance companies have to abide by the regulations set down.

RBI has appointed various committees to carry out reforms in financial sector and have proper functioning and monitoring of financial service organizations as well as to protect the interest of consumers who avail services from financial service organizations.

All marketing efforts of financial service organizations have to be carried out within the boundaries of the recommendations of various committees. It may interest to take note of, while studying the marketing practices of financial service organizations, various recommendations made by various committees. Major recommendations of following committees are annexed with the study (as Appendix- III) to have an insight on marketing of financial service organizations.

1. Chakravarty Committee, 1985 (Committee to review the working of the monetary system)
2. Vaghul Committee, 1987 (Working group on the money market)
3. Narasimhan Committee, 1991 (Committee on the financial system)
4. Basu Committee, 1992 (Task force on money market mutual funds)
5. A. C. Shah Committee, 1992 (Working group on non-banking financial companies)
6. J. V. Shetty Committee, 1993 (Committee on consortium lending)
7. R. Jilani Committee, 1993 (Working group on cash credit system)
8. D. R. Mehta Committee, 1994 (Committee to review IRDP)
9. W. S. Saraf Committee, 1994 (Committee on technological issue)
10. O. P. Sodhani Committee, 1995 (Expert group of foreign exchange markets)

The role played by SEBI can also not be ignored while studying marketing of financial services. The Securities and Exchange Board Act of 1992 provides for the establishment of a Board to protect the interest of investors in securities and to promote the development and regulations of securities market. Various guidelines given by SEBI, for example, Guidelines for Debentures, Guidelines for Right Issues, Guidelines for Preferential Allotment, Guidelines (Norms) about Publicity and Issue Advertisement etc. are to be considered while studying / designing marketing strategies of financial service organizations.

CHAPTER - IV

METHODOLOGY

4.1 INTRODUCTION

This chapter describes how the research proposal came to be formulated and how the research was carried out.

A review of some studies on Marketing of Services and a case for a study on the marketing practices of financial services organizations has already been given in chapter II, hence the same is not being repeated.

(a) Statement of Problem :

As the study is concerned with marketing aspects only, the problem that is taken up for investigation is to find out how systematic and scientific are marketing practices of the financial service organizations.

(b) Research Objectives :

The objectives of the study are:

- i) to ascertain, the level of performance of the financial services organizations on the different marketing practices;
- ii) to ascertain, the existence of relationship and the extent of relationship between the performance variable, (growth rate), and predictor variables, (the marketing practices), both for the entire sample and for sub-samples. The marketing practices include are:
 - Competitive and demand practices (CDP),
 - Product/ Service practices (PDP),
 - New product/ Service practices (NPP),
 - Pricing Practices (PRP),
 - Promotion practices (PMP);

- iii) to differentiate the various sub-groups in respect of their marketing practices. The sub-groups that are mutually exclusive are,
- “Risk taker” group – “Safe Player” group,
 - “Professionally Managed” group–“Traditionally managed” group,
 - “Fund Based Services” group– “Fee Based/Advisory Services” group,
 - “Private Organizations” group – “Nationalized Organizations” group.
 - “Consumer Finance” group – “Industrial Finance” group

(c) Focus of research

The focus of research in the present study is concerned with relationship among the characteristics of the objects, (here the objects are the financial service organizations and characteristics are the different variables under study).

The research design, for acquiring the information needed is inclusive of exploratory, descriptive and casual studies. An ‘experience survey’ was undertaken by the investigator in an attempt to obtain information on the strengths and weaknesses of financial service organizations with special reference to the marketing aspects.

Further, three financial service organizations situated in Baroda were chosen at random for the purpose of pilot study.

4.2 SAMPLING

(a) Sample Frame

Thus the sampling frame consisted of 522 financial service organizations included in the study population. These units were then classified on the basis of the two broad categories of services they render namely viz. Fund/ Asset based services and Fees based / Advisory services.

(b) Sample Size :

It was decided that 10% of the study population would be drawn as the sample size. This works out to 52 financial service organizations, which was considered to be an expedient size from all practical aspects.

(c) Sampling Technique

Having decided on the sample size, the next aspect to be considered is the method of drawing the sample. As indicated earlier the 522 financial service organizations of the study population do provide different financial service groups. Therefore, it was decided to go in for 'Stratified Random Sampling'.

(d) Sample Selection

The sampling units included in the study population were grouped into different strata and then each of organizations of each strata was numbered serially, and, 'Table of Random Numbers' was referred to select the sample.

The extent of the sample was confined to the State of Gujarat

The time when the sample was drawn is January 1997.

The elements in the sample were to comprise either the fund based financial service organizations of fee based / advisory service organizations.

4.3 INSTRUMENTATION – QUESTIONNAIRE

To carry out the survey, a questionnaire had to be developed. This was necessitated since the means of obtaining information from respondents was through 'Structured – Direct Interviews' (Please refer appendix-I for questionnaire).

Pre-testing of the questionnaire was done in two stages. In the first stage the 'Delphi Method' was used.

The second stage in the pre-testing of the questionnaire was done in the field itself.

4.4 SCORING TECHNIQUE

Three types of scoring were adopted in assigning scores to the various questions. They were, namely –

- Equal scoring,
- Unequal scoring, and
- Frequency.

The detail of score of each question is given in annexure.

4.5 DATA COLLECTION

The questionnaire after having passed through all the stages enumerated above was pressed into the field. The investigator personally interviewed the respondents and collected the data.

4.6 DATA ANALYSIS

In marketing the choice of the appropriate statistical technique, the objectives of the study were given due consideration.

To fulfill objective (i) of para 4.1 b above, simple techniques such as arithmetic mean, standard deviation, co-efficient of variation and percentages were used.

In trying to fulfill objective (ii) of para 4.1 b outlined above the following aspect had to be considered i.e. the nature of assumed prior judgements on how the data matrix is to be partitioned in terms of the number of sub-sets, and also, the number of variables in each of these partitioned sub-sets the criterion versus predictor variables. Taking all these aspects into account the statistical technique chosen for the fulfillment of the objective is the ‘step-wise multiple regression technique’. This would help in bringing out which of the predictor variable are of importance and their order of importance / contribution to the criterion variable.

The third objective outlined in para 4.1 b above involves the differentiation of the sub-groups in terms of marketing practices. One way of accomplishing the same is through the use of discriminate analysis, which helps in determining weather differences in average score profiles for two or

more groups are statistically significant. This can be done by undertaking group classifications. Thus it is possible to discriminate between two groups (as in the present study) on the basis of a few variables (in the present study it would be marketing practices).

4.7 CLASSIFICATION OF RESPONDENTS ORGANIZATIONS

For the purpose of analysis the respondent organizations were divided into groups on the basis of following different criteria, each of them is examined below.

- (i) “Risk Taker” group (RTG) – “Safe Player” group (SPG)**
- (ii) “Professionally Managed” group (PROF.MG.)- “Traditionally Managed” Group (TRAD.MG.)**
- (iii) “Fund Based Services” Group (FBSG) – “Fee Based/Advisory Services” Group (ABSG)**
- (iv) Private Organizations Group (POG) – Nationalized Organizations Group (NOG)**
- (v) Consumer Finance Group – Industrial Finance Group**

4.8 VARIABLES IN THE PRESENT STUDY

The different aspects covered each of the variables are described below:

- a) Variable 1**
The first variable stands for growth rate, i.e. the overall growth rate in terms of deposits/funds mobilized and revenue/income generated in a year.
- b) Variable 2**
The second variable stands for marketing concept adoption in competitive and Demand practices. This is covered in section II of the questionnaire and concerns the following aspects:
 - Knowledge of target market
 - Information on competitors and their strategies;
 - Estimation of total demand and market share etc.

c) Variable 3

This variable denotes marketing concept adoption in the sphere of product/service practices. It has been dealt with in section III of the questionnaire and includes aspects such as,

- Customer's preferences / requirements in the particular product/service;
- Estimation of growth rate (i.e. growth rate forecast)
- Practice of sales analysis;
- Knowledge of product/service life cycle and the ensuing product/service innovation;
- Constraints on the product/service etc.

d) Variable 4

The fourth variable is also a marketing variable and denotes marketing concept adoption in new product (service) decisions. This is covered in section IV of the questionnaire and is inclusive of-

- Introduction of new products (services);
- Genesis of new products (services);
- Costing of new products (services);
- Production (servicing) capacity for new products (service) etc.

e) Variable 5

Variable 5 denotes marketing concept adoption in pricing practices and section V of the questionnaire includes aspects such as –

- Objectives in pricing;
- Number of parameters considered in pricing
- Limitation in price fixation;
- Break-even analysis and its applications.

f) Variable 6

This is the last of the marketing variables and stands for marketing concept adoption in promotion decisions. Section VI of the questionnaire covers this variable and the different aspects considered in this section are –

- The necessity to communicate with target market;
- Purpose of advertising
- Methods of sales promotion used;
- Publicity;

- Responses sought through communication etc.

The data thus collected was processed on the computer,

CHAPTER - V

ANALYSIS AND INTERPRETATION OF DATA: COMPARISON AND DIFFERENTIATION OF GROUPS

5.1 INTRODUCTION

This is the first of the two chapters in which the data collected are analyzed, interpreted and discussed.

In the present chapter, the different groups are compared and differentiated with respect of each of the marketing variables. In section I (5.2 to 5.6), the level of performance of the groups in each marketing practice is highlighted. Also, the variability in the practice of each of marketing decisions for each of the groups is discussed. The statistical techniques for analyzing the data utilized here are, arithmetic mean, standard deviation, co-efficient of variation and percentages.

In section II (5.8 to 5.12) of the present chapter, each dichotomous classification is taken up for discussion at a time, and the groups are differentiated on the basis of marketing practices. The grouped t test is applied to test the difference between the two means. At first the F test is applied for testing the quality of variance, next either the pooled variance estimate t test or the separate variance estimate t test is applied (depending on the F value). Thus the two groups are discriminated on the basis of various marketing practices.

5.7 CONCLUDING REMARKS IN SECTION I

The performance of the financial service organizations on the different marketing practices is summarized in the following paragraphs.

- (i) The performance of the financial service organizations on competitive and demand practices may be said to be average.

The financial service organizations can improve upon their competitive and demand practices by taking into account certain aspects, such as,

- knowledge of the competitors is a MUST,
 - the financial services organizations must endeavor to create new customers i.e. searching new market segments.
 - they must be able to recognize, who, where and why of their customers.
 - Competitive strategies may be used to penetrate substitute's gaps or penetrate directly the competitors position(s),
 - Also, they must anticipate the extent of the market, so that they may not have to incur unnecessary cost.
- (ii) The performance of the small financial service organizations on product/service practices ranges between average and good. This is the only variable where by and large most of the financial service organizations have better performance (in comparison to other marketing practices). It goes without saying that every financial service organizations must know the strengths and weakness of their product/service and must endeavor to match their product/service with the market.
- (iii) The performance of the financial service organizations on new product practices may be said to be poor. A few indicators that may be borne in mind while making product/service choice are:
- absolute market share,
 - market concentration,
 - trends in market size,
 - trends in market share,
 - trend in the price of the product,
 - competitive trends,
 - productivity (sales per employee),
 - trend in material cost,
- (iv) The performance of the financial service organizations on pricing practices may be said to be low.

Often the so-called best pricing, from the view point of maximizing profit may not be the best selling price for the product/service. Where to fix higher prices or lower prices depends on the pricing criteria, to cite a few examples,

- when a firm goes in for little promotion the product/service may be low priced;
- when coverage is intensive, the product/service may be low priced;
- when turnover is fast, then the product/service may be low priced, and when it is slow it may be high priced;
- when the market is mature, the product/service may be low priced, and when new/declining it may be high priced, etc.

- (v) The performance of the small financial service organizations on promotion practices may be considered to be low.

Promotion may be used to stimulate non-users, light users, and increase frequency of usage of services.

Regarding the performance in the different groups the following is stated:

- (vi) The RTG group secured an overall average of 53% in marketing practices, while the SPG group secured 34% . the difference in the level of performance is 19%. Therefore, it may be said that the marketing practices of the RTG group are definitely better than those of the SPG group.
- (vii) The PROF.MG. group secured an overall average of 49% in marketing practices and TRAD.MG. group secured an average of 42% the difference between the two means is 7%. Although the mean of PROF.MG. group is higher than that of the TRAD.MG. group, the difference may be considered to be marginal.

- (viii) The FBSG group secured an overall average of 44% in marketing practices and ABSG group an average of 49%. The mean of the ABSG group is higher than that of the FBSG group by 5%. The difference in the performance level of both groups may be said to be nominal.

The POG group secured an overall average of 50% in all marketing practices and that of the NOG group is 45%. The difference in the performance level is 5%, and this may be considered to be nominal.

5.13 CONCLUDING REMARKS

The entire discussions in section I and section II of this chapter is concluded here.

- i) The maximum adoption of the marketing concept is found in product/service practices. This is followed by competitive and demands practices. In respect of other practices, the adoption of the marketing concept has been either low or poor.
- ii) The RTG was on the top in so far as the adoption of the marketing concept was concerned. All other groups were either low or poor in this respect.
- iii) Of the four classification in this study the groups in each of the two classifications, namely, FBSG – ABSG and POG-NOG, do not differ in terms of adoption of the marketing concept in marketing practices.

In the marketing remaining two classifications, it is found that differences are significant in respect of adoption of the marketing concept in marketing practices. The RTG-SPG groups may be differentiated in the practice of competitive and demand decisions, product/service decisions, new product/service decisions, pricing decisions and promotion decisions. The PROF.MG.-TRAD.MG. group may be differentiated on the basis of their growth rate, and competitive and demand practices.

iv) The exercise on differentiation of groups has brought to the light two aspects that are of importance to financial services organizations namely,

- Risk Takers Organization, & Safe Players Organizations.
- Professionally & Traditionally Managed Organizations.

Regarding the first, risk takers is found conducive to better adoption of the marketing concept in marketing decisions. The second aspect indicates that professionally managed organization is preferable, as it is conducive to higher growth rate.

In the next chapter, the technique of step-wise regression is used to ascertain the association between growth rate and marketing practices.

CHAPTER VI

ANALYSIS AND INTERPRETATION OF DATA: ASSOCIATION BETWEEN GROWTH RATES AND MARKETING PRACTICES

6.1 INTRODUCTION

In the present chapter that analysis and interpretation of data are undertaken with the help of regression technique. An attempt is made to explain the variance of growth rate in relation to the marketing practices. That is, measure the overall strength of association between growth rate and the full set of marketing practices. As the analysis of regression is undertaken stepwise, the contribution of each of the marketing variables to total explained variation in growth rate is described.

The approach used here is, to first of all ascertain the presence of relationship between the criterion (growth rate) and predictor variables (marketing practices), and then proceed towards prediction. The former is established by correlation and the latter by regression.

Before going on to describe and interpret the data, the symbols indicating the different variables need to be clarified to avoid any confusion. In the present chapter, the following are used:

- Y : Criterion variable: Variable 1: Growth rate.
- X₁ : independent variable: Variable 2: marketing concept adoption in competitive and demand practices (CDP)
- X₂ : independent variable: Variable 3: marketing concept adoption in product/service practices (PDP).
- X₃ : independent variable: Variable 4: marketing concept adoption in new product/service practices (NPP).
- X₄ : independent variable: Variable 5: marketing concept adoption in pricing practices (PRP).

- X_5 : independent variable: Variable 6: marketing concept adoption in promotion practices (PMP)
- a : Constant (intercept)
- b_1 : regression co-efficient or beta weight for the first predictor variable X_1
- b_5 : regression co-efficient or beta weight for the fifth predictor variable X_5 .

The alpha reading in the regression equation is merely a constant, which determines the general level of the line. The b co-efficient gives the slope of the regression line and denotes a ratio. It tells how many units Y increases with every increase of one unit in X. It needs to be note here that the value of multiple R has been examined for its significance. This is done with the help of F-ratio test.

While interpreting the results, the levels of confidence arbitrarily fixed by the investigator are .01 and .05 levels of significance, and all the results are adjusted to the relevant degrees of freedom.

The analysis and interpretation of data is described in two sections. In the section-I (6.2 to 6.5) the regression technique is applied to the data pertaining to the entire sample and the significant predictor variables are drawn out. In the present study marketing variables CDP and PMP have been found to be significant and contributing to explaining the variation in growth rate. Therefore in the next section i.e. section-II (6.5), each of the groups is taken up for analysis at a time and regression technique applied, to find out, to what extent these variables, i.e. CDP and PMP, contribute in explaining the variation in growth rate.

CONCLUDING REMARKS

The maximum contribution of marketing variables CDP and PMP in explaining the variation in growth rate is found in the POG group (61%) followed by PROF.MG. group (34%). This helps us to draw a conclusion that in private organizations group and professionally managed group there

is greater adherence to the marketing concept (with respect to CDP and PMP) as contribution to explaining variation in growth rate is a lot higher in these groups than other groups.

The ratio of growth rate to marketing practices in the sphere of competitive and demand decisions is best in the POG group (3.14 : 1) followed by ABSG group (1.45 : 1) and RTG group (1.34 : 1).

The ratio of sales to promotion practices are better in FBSG group (0.6 : 1) followed by RTG and POG groups (0.5 : 1).

Marketing variables CDP and PMP are not significant in SPG and TRAD.MG. groups.

CHAPTER VII

SUMMARY, IMPORTANT FINDINGS AND THEIR IMPLICATIONS

7.1 SUMMARY OF THE STUDY:

The marketing practices of the financial services organizations is by and large an unmapped area, and the present study is an investigation on the same.

In the first chapter the role of marketing in the economic development of a country and its special relevance in financial service organizations are discussed. Besides this, the developments of marketing theory, the marketing environment, the development of the marketing concept, marketing mix and characteristics of service products are also highlighted. The nature and scope of the study, as also the limitations of the study are also brought out.

The second chapter is devoted to a review of some studies on the financial service organizations. The findings of selected studies are enumerated. The findings of all these studies indicate the presence of marketing problems. The extent of the marketing problem in the financial service organizations is brought out. Besides this, allied problems of financial service organizations are pointed out. Further, a case for a study on the marketing practices of financial service organizations is made out.

This is followed by a discussion on the population (Gujarat) from which the sample for the study was drawn.

The plan and procedure of the study are enumerated in the chapter on methodology. At first, the statement of the problem, the research objectives and focus of research are spelt out. The specific objectives of the study are:

- (i) to ascertain the level of performance of the financial services organizations on the different marketing practices.
- (ii) To ascertain the existence of relationship and extent of relationship between the performance variable – growth rate

and predictor variables- the different marketing practices, both for the entire sample and for sub-samples and

- (iii) To differentiate the various sub-groups in respect of their marketing practices.

For the purpose of the study a questionnaire on the various marketing practices was developed and a system of scoring the responses was formulated. Two other aspects are dealt with in this chapter. First, the classification of respondent organizations was done into mutually exclusive groups for the purpose of study and analysis. The dichotomous groups are, risk taker & safe player groups; professionally & traditionally managed groups; fund based services group & Fee Based/Advisory Services groups; private organizations & Nationalized organizations groups. Second, the different marketing variables on which the financial service organizations are examined to competitive and demand practices, product/service practices, new product/service practices, pricing practices, and promotion practices.

Chapter V is the first of the two chapters on analysis and interpretation of data. For comparing the different groups on their performance on the various marketing practices, simple statistical techniques such as, arithmetic mean, standard deviation and co-efficient of variation were applied.

The differentiation of the groups was undertaken by discriminating them on the various marketing practices, which involved grouped t tests, where first the F-test for quality of variances was determined.

Chapter VI attempts stepwise regression analysis. The entire sample was at first subject to regression analysis and the significant variables were drawn out. Next, regression was applied to each of the groups to ascertain the contribution of the significant marketing variables in explaining the variation in growth rate.

7.2 FINDINGS AND THEIR IMPLICATIONS:

Major conclusions reached in this study are presented in a tabular form and these are subsequently discussed in this chapter.

Table VII-1
Major Findings.

Particulars	Significant results / findings
Marketing practices considered as a whole	The RTG group conducive to marketing concept adoption.
Maximum adoption of marketing concept	Product/service Practices.
Minimum / least adoption of marketing concept	New product/service Practices.
Low/adoption of marketing concept	Pricing Practices
Significant in explaining growth rate	Competitive & demand practices. Promotion Practices.
Growth rate	PROF.MG. conducive to sales.
Groups	CDP & PMP good in POG SPG and TRAD.MG. poor performers. Practically no difference between (A) FBSG – ABSG groups and (B) POG – NOG groups.

Considering all the marketing practices together, from the survey it was found that the risk taker group is more conducive to marketing concept adoption in its various marketing decisions. This group secured the highest group average. These findings bring out the relevance of a financial service organizations being risk takers and also the priority that needs to be given to customers overall other functional areas.

The maximum adoption of the marketing concept was found in respect of product/service practices. Also, greater homogeneity was found in decisions regarding product/service. The average scores of the groups indicate that most of them are average or good in the marketing variable relating to product/service decisions.

The least adoption of the marketing concept is found with respect to new product/service practices. It was also found that there was greater heterogeneity among the financial services organizations in the practices relating to new product/services. This implies that the financial service

organizations do not adopt appropriate practices when they think of introducing new product/service in the market. This points out to the need for systematic approach by financial service organizations. Market information centers may be set up by financial service organizations.

It has been found that marketing concept adoption in pricing practices has been relatively low. It may be said that the financial service organizations are shrewd and know their profits, but it has happened many times that out of the many services they rendered only a few may be doing very badly but overall profits are good they never get to know it. The financial service organizations need to be trained and aware of the gains that can be accrued from proper book keeping and also from adopting other measures of pricing than full cost pricing.

Marketing practices relating to competitive and demands decisions and promotion decision have come out as the only two significant variables that contribute towards explaining the variation in growth rate. This implies that every financial service organization should take care to adhere to the marketing concept when they take decisions regarding competition and demand and promotion practices. By doing this they may improve the growth rate/commission/ revenue of their organization.

The only classification where growth rates turned out to be a significant differentiating factor is professionally - traditionally managed groups. From this, it may be said that professionally managed group is conducive to higher growth rate. Also in this classification, one other marketing variable is significantly differentiated and there is competitive and demands practices.

The risk taker group and safe player group differ significantly in all their marketing decisions. This means that there is a lot of differences in the way the financial service organizations of both these groups as functioned.

The poor performers are safe player and traditionally managed group. The style of working of these organizations is not in conformity with the marketing concept.

In the private organizations group, it is found that decisions relating to competition, demand and promotion are taken in greater adherence to the

marketing concept as the regression results prove that the two variables contribute a lot in explaining the variation in growth rate.

Finally, in the two classifications namely, FBSG-ABSG and POG-NOG there is almost no difference in respect of marketing practices.

7.3 SUGGESTIONS FOR IMPROVING MARKETING OF FINANCIAL SERVICES

a) Carrying out Customer Analysis

Financial service organizations should profile their current customer base to identify which segments of the market they come from and identify any common characteristics and buying behavior patterns, which might help future segmentation or marketing tactics. It is also necessary to assess their customers on following aspects:

- Who are they?
- Who is involved in the purchase decision?
- What motivates their behaviour?
- Which customers are worth most?

b) Assessing Consumer Satisfaction

Faced with global competition financial service organizations will have to redefine approaches and attitudes towards distribution and promotion of financial services. Growths should be sought by reinforcing brand equity and developing competitive advantage through distribution equity. Reaching out effectively, efficiently and economically to an ever increasing population spread through the length and breadth of a vast geography is becoming the service marketing mantra of today. In service sector, blue prints for growth are therefore becoming synonymous with strategies for customer satisfaction. Measurement of customer satisfaction involves developing a survey design tailor-made to individual context that would encompass amongst others and following steps:

1. Determining who is the customer: Multi – individual involvement, the processes of the sale mind set of the company's operating managers have to taken into account.

2. Determining what constitutes customer satisfaction: Identify parameters through pilot studies at senior levels – the complex interaction between them – and adopt indexed data collection approach to reduce subjectivity.
3. Designing the scale on which customer satisfaction would be measured: Simple coding of customer category (Government, corporate, private) and assigning relative importance to them by considering variables such as company's market presence business compulsions, growth directions and market complexions.
4. Measuring current levels of customer satisfaction: Qualitative personal interview data from various clients' department.
5. Trend analysis and pointers for management of customer satisfaction: Data statistically analyzed, benchmarking and developing top – down models (based on the correct systems) and Bottom – up models (based on improving individuals customer satisfaction).

Each financial services organization should have to find its own path, which depends upon the kinds of financial service the organization offer and their relative strength, weakness and also on different macro and micro environmental (economic – physical) factors.

c) Offer Product Packages

No Customer comes to a financial service organization merely for a fixed deposit or for a loan. He comes essentially to get his problems solved and his need satisfied. Customer needs are varied, complex and multi dimensional. For the satisfaction of these multi dimensional needs, financial service organizations should offer product packages rather than stand-alone products. Financial organizations have very few product packages to offer. Some such packages are being offered to corporate customers, but not many to household segment customers. Even in the case of product packages for the corporate segment, marketing of package under a single brand name and in an integrated manner is not much in evidence.

d) Construct Perceptual Maps

To device effective marketing strategy the financial services organizations must use the perceptual mapping techniques:

- i) to measure similarity or dissimilarity between pairs of services
- ii) to measure performances between services of two competitive organizations
- iii) to have ratings of different services on various attributes

e) Be Innovative

In coming years, it would become impossible to survive and prosper unless organizational skills are effectively channelised towards innovating new ideas, new services and new strategies for winning over and retaining the customer.

A typical situation in Indian financial service organizations is that one organization floats a new product idea or a new marketing strategy and in no time ten other organizations rush to follow suit. This type of “me-too” strategy would be a recipe for mediocre marketing. Successful organizations of the future should scrupulously avoid practicing this “ me-too” strategy. Innovation should be their main weapon.

Before concluding this chapter it seems worthwhile to briefly identify some related aspects – areas on which research needs to be undertake.

7.4 DIRECTION FOR FURTHER RESEARCH

Based on the findings of survey, a few suggestions for further research are indicated. It may be worthwhile to undertake a study on any of the following:

- (i) Marketing concept adoption in the sphere of new product/service practices has been rather poor. Therefore an intensive study on new product/service practices beginning with product/service idea generation up to say for a period of two years after its introduction in the market may be taken up.

- (ii) By and large it was found that financial service organizations went in for full cost pricing. It may be worthwhile to find out if any other system of pricing is prevalent among financial service organizations, if not, why? Is it because of their lack of awareness of the subject or else what would be the reason for the same?
- (iii) Investigation of the specific marketing practice of the financial service organizations regarding collection of information – data on competitors and demand analysis may be revealing.
- (iv) As day by day, new financial services e.g. depository services, derivatives etc., are being invented and avenues are opening for establishing “Financial Super Market” and the India has already agreed to sign on General Agreement on Trade in Financial Services. (GATs) (list of financial services are annexed as appendix-III.) It is necessary to device marketing strategies keeping in the mind the global environment. The study in this line will be very useful to financial service organizations for marketing effectively their financial service.

This chapter is followed by Bibliography (Books & Articles and Websites and following appendices):

Appendix-I	Questionnaire on “Marketing of Financial Services”
Appendix – II	Major Recommendations of Selected Committees (1985-95)
Appendix-III	Committee on Trade Financial Services [Gats]
